



Ernie Fletcher  
Governor

LaJuana S. Wilcher  
Secretary

Commonwealth of Kentucky  
**Environmental and Public Protection Cabinet**  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460

Contact: Andrew Melnykovich  
(502) 564-3940 x208  
(502) 330-5981 (cell)

## **NATURAL GAS PRICES REMAINING HIGH, PSC SAYS**

*Consumers urged to conserve energy*

FRANKFORT, Ky. (Dec. 6, 2004) – Forecasts of double-digit increases in the price of natural gas this winter are proving accurate, the Kentucky Public Service Commission said today.

"Many consumers are seeing increases of 10 to 15 percent above last year," PSC Chairman Mark David Goss said. "Unfortunately, we have no assurance that the situation will improve as we move into the peak heating season."

The latest gas cost adjustments filed by Kentucky's five major natural gas distribution companies are 13 percent higher on average than at this time last year. The adjustments reflect the wholesale price of natural gas purchased by the companies – a cost passed on to consumers on a dollar-for-dollar basis.

A typical residential customer using 10,000 cubic feet of gas per month will be paying an average of \$9.75 (10 percent) more per month when compared with last December.

Goss noted that prices through the rest of the heating season will be determined largely by the weather and its effect on the demand for natural gas. But there are steps consumers can take to cope with higher natural gas costs, he said.

"Contact your utility about budget billing plans that give you a predictable heating bill every month," Goss said. "Do everything you can to weatherize your home, and, if you haven't already done so, turn the thermostat down to 68 degrees."

Natural gas prices have risen sharply in recent years. Prices last winter were 20 percent to 40 percent higher than during the 2002-2003 heating season.

By federal law, natural gas prices are not regulated at the wholesale level and fluctuate with supply and demand. Under Kentucky statute, gas companies are entitled to recover the wholesale cost of gas they deliver to customers. Adjustments are reviewed by the PSC to make sure they accurately reflect wholesale costs.

**-more-**

## **NATURAL GAS PRICES REMAINING HIGH, PSC SAYS – Page 2**

Several factors are contributing to higher gas prices:

- Natural gas production in North America has not kept pace with increasing demand. Imported gas, other than from Canada, fulfills a small portion of domestic demand.
- More natural gas is being used to generate electricity, particularly in the summer, when air conditioner usage creates peaks in the need for electric power.
- About half the natural gas used for winter heating is put into storage in the summer. In the past, this gas was less expensive and helped offset higher gas prices in the winter. With increased summer demand, that is no longer the case.

Storage is one of several tools that companies use to reduce volatility in the natural gas prices passed on to consumers. Others include long-term purchase agreements that provide gas at predictable prices.

The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky, Inc., Delta Natural Gas Company, Inc., Louisville Gas and Electric Co., and The Union Light, Heat, and Power Co. Together, the five companies serve over 750,000 customers in Kentucky and deliver 176 billion cubic feet of gas annually.

Goss noted that there are ample quantities of gas stored for winter use, and that has helped keep prices in check. But consumers should not become complacent, he said.

“We don’t know what the weather will be like this winter, so we can’t predict its effect on the demand for natural gas and what effect that might have on prices,” Goss said. “But we do know that it is wise for consumers to do all they can to manage their home heating costs.”

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

**-30-**

**CONSUMER INFORMATION SHEET FOLLOWS**

# COPING WITH HIGH NATURAL GAS PRICES

## *Information for consumers*

Kentucky consumers can take a number of steps to reduce their natural gas usage or to soften the impact of higher gas costs. They include:

**Budget billing:** This option allows customers to pay the same amount each month, based on average monthly usage during the year. Customers should contact their utility for more information.

**Energy conservation measures:** Simple steps such as turning down thermostats on furnaces (most people are comfortable at 68 degrees) and water heaters (120 degrees is hot enough for nearly all uses) can be big energy savers.

**Energy audits:** Many local utilities offer home energy audits at little or no cost to consumers. These audits can identify energy-wasting trouble spots and provide information on how to correct the problems.

**Weatherization:** Consumers can do a number of things to reduce inflows of cold air and leakage of warm air, particularly around windows and doors. Some basic weatherization steps include:

- Use caulk or weather-stripping to seal cracks around windows, doors, pipes and other points where cold air can enter the home. This alone can reduce heating costs by 10 percent or more.
- Add insulation in attics, crawl spaces and walls.
- Cover windows, especially those with single-pane glass, with storm windows or plastic sheeting before the onset of cold weather.
- Clean or replace furnace filters monthly to improve airflow and efficiency.

Advice on conserving energy, including links to a wide range of information, also is available from the Kentucky Division of Energy, on the Web at:

<http://www.energy.ky.gov/>

Weatherization assistance for low-income families is available in Kentucky. Many utilities offer weatherization assistance in conjunction with local social service agencies. Local social service agencies also offer assistance through a state program administered by the Kentucky Cabinet for Families and Children. For information on weatherization assistance, call 502-564-7536, Extension 4235, or go to:

<http://cfc.state.ky.us/help/weatherization.asp>

For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC by calling 800-772-4636 or go to the PSC Web site at:

<http://psc.ky.gov>